

# **Principles for Economic Stimulus: How Do Congressional Proposals Measure Up?**

Prepared by the Democratic Staff of the  
Joint Economic Committee

November 6, 2001

**Charts Only**

## PRINCIPLES FOR A STIMULUS PACKAGE

- **Adequate size.** Any stimulus package should be large enough to have an impact on a \$10 trillion economy.
- **Rapid impact.** The bulk of the stimulus should be felt in the next two or three quarters when the economy is weak.
- **Short duration.** Stimulus proposals should be designed to phase out rapidly.
- **Maximum effectiveness.** Stimulus proposals should maximize the amount of short-term economic activity created per dollar of outlays or revenue lost.

## HOUSE ECONOMIC RECOVERY BILL (H.R. 3090)

	COST IN BILLIONS		COST IN 2002 AS % OF 10-YEAR COST
	2002	2002-11	
<b><u>TAX PROVISIONS</u></b>	<b>\$99</b>	<b>\$159</b>	<b>62%</b>
<b>Individual Relief:</b>			
Rebate for low-income workers <sup>1</sup>	\$14	\$14	100%
Accelerate the 25 percent income tax rate <sup>2</sup>	\$13	\$54	24%
Increase individual AMT exemption amount <sup>3</sup>	\$1	\$6	11%
Increase deduction of capital losses <sup>4</sup>	\$1	\$2	44%
Reduce and simplify capital gains tax rates <sup>5</sup>	\$1	\$10	5%
<b>Business Relief:</b>			
30 percent expensing <sup>6</sup>	\$39	\$18	220%
Expand small business expensing <sup>7</sup>	\$1	\$0	323%
15-year life for leasehold improvements	\$0	\$7	1%
Extend loss carryback period <sup>8</sup>	\$5	\$0	1041%
Repeal the corporate AMT and fully refund AMT credits	\$25	\$24	105%
Extend deferral of multinational business income (subpart F)	\$0	\$21	1%
<b>Extenders, Miscellaneous:</b>			
Extend all expiring provisions for two years, and technical amendments	\$0	\$2	10%
<b><u>NON-TAX PROVISIONS</u></b>	<b>\$2</b>	<b>\$3</b>	<b>67%</b>
<b>Unemployment Insurance:</b>			
Accelerate transfers to state trust funds	\$1	\$0	n.a.
<b>Health Coverage:</b>			
Increase social services block grant	\$1	\$3	33%
<b><u>TOTAL</u></b>	<b>\$101</b>	<b>\$162</b>	<b>62%</b>

**Source:** Compiled by the Democratic Staffs of the Joint Economic Committee and Senate Budget Committee.  
(11/6/01)

**Notes:**

1. Provides a rebate of \$300 per individual, \$500 per head of household, and \$600 per couple for taxpayers not receiving checks in the summer of 2001 (excluding dependents). Partial checks for 17 million taxpayers who received less than \$300 this summer.
2. As scheduled to take effect in 2006.
3. Increase by \$1,600 non-joint and \$3,200 joint for 2002 and 2003, and by \$850 non-joint and \$1,700 joint for 2004.
4. Increase deduction against ordinary income from \$3,000 to \$4,000 for tax year 2001 only, and to \$5,000 for tax year 2002 only.
5. Repeal “mark to market” and the 5-year holding period, and allow adjusted net capital gains to qualify for the 18% and 8% capital gains rates.
6. For investments in capital and software placed in service over next 36 months. Remaining 70 percent depreciated under current rules.
7. Increase from \$25,000 to \$35,000 the amount that small businesses may expense under Section 179, and increase beginning point for phaseout to \$325,000, for 24 months.
8. Extend carryback period from 2 years to 5 years, and waive AMT 90% limitation on allowance of losses, for the next 36 months.

## BAUCUS ECONOMIC RECOVERY PROPOSAL

	COST IN BILLIONS		COST IN 2002 AS % OF 10-YEAR COST
	2002	2002-11	
<b><u>TAX PROVISIONS</u></b>	<b>\$35</b>	<b>\$21</b>	<b>167%</b>
<b>Individual Relief:</b>			
Rebate for low-income workers <sup>1</sup>	\$14	\$14	100%
<b>Business Relief:</b>			
10 percent expensing <sup>2</sup>	\$15	\$3	500%
Expand small business expensing <sup>3</sup>	\$1	\$0	n.a.
Extend loss carryback period <sup>4</sup>	\$4	\$1	400%
<b>Extenders:</b>			
Extend all expiring provisions by one year	\$1	\$3	33%
<b><u>NON-TAX PROVISIONS</u></b>	<b>\$35</b>	<b>\$19</b>	<b>184%</b>
<b>Unemployment Insurance:</b>			
Temporarily extend and expand UI <sup>5</sup>	\$16	\$0	n.a.
<b>Health Coverage:</b>			
COBRA subsidy <sup>6</sup>	\$10	\$10	100%
Medicaid <sup>7</sup>	\$7	\$7	100%
<b>Agriculture Spending:</b>	<b>\$2</b>	<b>\$2</b>	<b>100%</b>
<b><u>TOTAL</u></b>	<b>\$70</b>	<b>\$40</b>	<b>175%</b>

**Source:** Compiled by the Democratic Staffs of the Joint Economic Committee and Senate Budget Committee.  
(11/6/01)

**Notes:**

1. Provides a rebate of \$300 per individual, \$500 per head of household, and \$600 per couple for taxpayers not receiving checks in the summer of 2001 (excluding dependents). Partial checks for 17 million taxpayers who received less than \$300 this summer.
2. For investments in capital and software placed in service over next 12 months. Remaining 90 percent depreciated under current rules.
3. Increase from \$25,000 to \$35,000 the amount that small businesses may expense under Section 179 for the next 12 months.
4. Extend carryback period from 2 years to 5 years for the next 12 months.
5. a) Provide 13 weeks of extended benefits to workers whose regular Unemployment Compensation has expired; b) require states to use most recent earnings data to determine UI eligibility and provide benefits to certain part-time workers; and c) supplement the amount of benefits paid to UC recipients.
6. Provide a 50 percent subsidy for purchase of COBRA continuation coverage.
7. Give states the option to cover displaced workers and their families through Medicaid. Fund at the enhanced CHIP matching rate, which pays 70 percent of the cost, on average. Give states the option to use Medicaid funds at the CHIP match rate to subsidize the remainder of the COBRA premium for low-income individuals.

## GRASSLEY ECONOMIC RECOVERY PROPOSAL

	COST IN BILLIONS		COST IN 2002 AS % OF 10-YEAR COST
	2002	2002-11	
<u>TAX PROVISIONS</u>			
Individual Relief:			
Rebate for low-income workers <sup>1</sup>	\$14	\$14	100%
Make 2006 tax rate schedule effective in 2002 <sup>2</sup>	\$27	\$122	22%
Business Relief:			
30 percent expensing <sup>3</sup>	\$39	\$18	217%
Repeal corporate AMT <sup>4</sup>	\$9	\$22	41%
<u>TOTAL</u>	<b>\$89</b>	<b>\$175</b>	<b>51%</b>

**Source:** Compiled by the Democratic Staffs of the Joint Economic Committee and Senate Budget Committee.  
(11/6/01)

**Notes:**

1. Provides a rebate of \$300 per individual, \$500 per head of household, and \$600 per couple for taxpayers not receiving checks in the summer of 2001 (excluding dependents). Partial checks for 17 million taxpayers who received less than \$300 this summer.
2. Accelerate the 25 percent, 28 percent, 33 percent, and 35 percent tax rates scheduled for 2006.
3. For investments in capital and software placed in service over next 36 months. Remaining 70 percent depreciated under current rules.
4. Prospective repeal. Does not allow refunds for past AMT credits.

## MEETING THE PRINCIPLES: SIZE AND DURATION

	Total Stimulus			Stimulus in 2002 as percent of	
	2002	2002-05	2002-11	2002-05	2002-11
<b><u>H.R. 3090</u></b>					
Total economic recovery package	\$101	\$217	\$162	47%	62%
Total with debt service	\$104	\$251	\$274	41%	38%
<b><u>Baucus Proposal</u></b>					
Total economic recovery package	\$70	\$60	\$40	117%	175%
Total with debt service	\$72	\$74	\$74	97%	97%
<b><u>Grassley Proposal</u></b>					
Total economic recovery package	\$89	\$244	\$175	36%	51%
Total with debt service	\$91	\$278	\$297	33%	31%

**Source:** Compiled by the Democratic Staffs of the Joint Economic Committee and Senate Budget Committee. (11/6/01)

## MEETING THE PRINCIPLES: MAXIMUM EFFECT

	Percent of Total Stimulus in 2002		
	H.R. 3090	Baucus	Grassley
<b><u>Tax Provisions</u></b>	<b>98%</b>	<b>50%</b>	<b>100%</b>
Individual Relief	30%	20%	46%
Targeted to low- and middle income families <sup>1</sup>	14%	20%	16%
Business Relief	69%	29%	54%
Targeted to new investment <sup>2</sup>	40%	23%	44%
<b><u>Non-Tax Provisions</u></b>	<b>2%</b>	<b>50%</b>	<b>0%</b>
Unemployment assistance	1%	23%	0%
Memo: Total Cost (billions)	\$101	\$70	\$89

**Source:** Compiled by the Democratic Staffs of the Joint Economic Committee and Senate Budget Committee.  
(11/6/01)

**Notes:**

1. Includes rebate for low-income workers.
2. Includes percentage expensing provisions and expanded expensing for small businesses.